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# CENTRAL BANKING, THE DEPRECIATION OF SELF-WORTH, AND DECIVILIZATION

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As J.G. Hulsmann stated in his seminal essay *The Cultural and Spiritual Legacy of Fiat Inflation*: "The government's fiat makes inflation perennial, and as a result we observe the formation of inflation-specific institutions and habits. Thus fiat inflation leaves a characteristic cultural and spiritual stain on human society." It is, therefore, crucial for people to awaken to the fact that the manipulation of money and credit, on the part of central bankers, is tantamount to manipulating the minds and hearts of human beings—a matter also covered in a jointly-written essay. Right behind owning one's own body, the second most personal asset an individual owns is the fruit of one's own labor—with such fruit typically taking the form of money; which is exchanged for food, clothing, transportation, shelter, etc. Accordingly, with the common yardstick here being money, a person's self-worth, in part, can be measured by earnings power, accumulated savings, and personal net worth.

With central banks, however, continuously perpetrating the immoral and fraudulent act of fiat inflation, money perniciously loses value over time. When such an important and profoundly intimate self-measuring tool (money) loses its stability, people tend to lose their moral bearings and social decay ensues. And, correspondingly, state power increases—for awhile at least—as the populace becomes evermore dependent on state bureaucrats for guidance. To be sure, this seems quite abstract. Hence, it is my objective to bring you tangible examples as to how fiat inflation, as wrought by central bankers, has had a deeply personal impact on people and is a key factor behind the gradual decivilization process engulfing humanity.

An appropriate place to begin pertains to the impulsive and adolescent financial behavior so commonly displayed by American adults. Since the bursting of the NASDAQ bubble in 2000, the Federal Reserve has gone on a fiat-money-and-credit-creation bender. In turn, the masses have imbibed this easy credit and are drunk with confidence that they are on the road to riches. Just look how effortless it has been to purchase McMansions and expensive cars in order to convey that you are in the game, you are a player, and that you are on your way to Easy Street. Houses, after all, will only increase in value and make us all wealthy in the long run—this mindset will change once it is recognized that the housing bubble has burst. The most seductive aspect of this game is that one does not have to delay gratification by saving. Most certainly, by today's standards, saving reflects a lack of financial acumen and certainly isn't much fun. No. In order to reveal financial wisdom, one must maximize the use of leverage and minimize the size of a down-payment. Consequently, borrowing hundreds of thousands of dollars, to purchase a dream home and two luxury automobiles, defines financial sophistication in the United States. Borrowing, indeed, has become a virtue whilst saving has become a vice.

Such reckless financial behavior, as encouraged by central banking, comes at a high price in which the social fabric frays one family at a time. As Dr. Hulsmann explains in his above-mentioned essay:

> The net effect of the recent surge in household debt is therefore to throw entire populations into financial dependency. The moral implications are clear. Towering debts are incompatible with financial self-reliance and thus tend to weaken self-reliance also in all other spheres. The debt-ridden individual eventually adopts the habit of turning to others for help, rather than maturing into an economic and moral anchor of his family, and of his wider community. Wishful thinking and submissiveness replace soberness and independent judgment. And

> what about the many cases in which families can no longer shoulder the debt load? Then the result is either despair or, on the contrary, scorn for all standards of financial sanity.

For a state to gain in power, it must shift its citizens' chief allegiance from the family to the state. As aided by the Federal Reserve and America's public schools, Uncle Sam is winning this power struggle for loyalty—for now. When mothers and fathers are economically and financially illiterate—thanks to public schools—then the Federal Reserve's siren-song of easy credit becomes irresistible. Profligate parents do not serve as economic and moral anchors for the family. Instead, they reach a stage of permanent adolescence in which they are more likely to teach their children to play a video game than to teach children how to read, write, do basic math, and lead a virtuous life. As a brief sidebar, you may detect those "adults" who have reached permanent adolescence by observing their driving habits—such individuals drive as if they are in a NASCAR race or playing an auto-racing video game. In a household "run" by adolescent-adults, parents redefine their roles as that of a child's best friend. A house, additionally, is no longer a home but more of a hangout. With family bonds weakening, and state power increasing, it is no wonder that the Homeland Security Act, the Patriot Act, and NSA snooping have only received a collective shrug of the shoulders.

Would it be farfetched to say that central banking can affect sexual behavior? One could argue that in light of the aforesaid decline of family bonds (as partially brought about by the Federal Reserve), parents have left it to public schools to "educate" children about the intimate matter of sex. Without going into details, we know this has been a disaster. Nonetheless, can a more direct link be made between central banking and changes in sexual behavior?

To answer this question, all one must do is read Otto Friedrich's engrossing book *Before the Deluge: A Portrait of Berlin in the 1920s.* An important facet of this book deals with how hyperinflation, as perpetrated by Germany's central bank, affected the German populace. To put it bluntly, yes, central banking had a direct impact on Germany's sexual mores. The following excerpt, from *Before the Deluge*, will remove any doubt:

> "Yes, the inflation was by far the most important event of this period", says a seventy-five-year-old journalist, a woman who still lives in Berlin. She is white-haired and rather large, and she nibbles cookies as she talks, forgetting that it is already two in the morning. "The inflation wiped out the savings of the entire middle class, but those are just words. You have to realize what that *meant*. There was not a single girl in the entire middle class who could get *married* without her father paying a dowry. Even the maids—they never spent a penny of their wages. They saved and saved so that they could get married. When the money became worthless, it destroyed the whole system for getting married, and so it destroyed the whole idea of remaining chaste until marriage."
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> "The rich had never lived up to their own standards, of course, and the poor had different standards anyway, but the middle class, by and large, obeyed the rules. Not every girl was a virgin when she was married, but it was generally accepted that one *should* be. But what happened from the inflation was that girls learned that virginity didn't matter any more. The women were liberated." (Italics in the original)

Accordingly, let's fast forward from sexually-liberated Weimar, Germany to modern-day America in search of "inflation-specific habits." Considering that central banking does alter sexual behavior and does weaken family bonds (with American parents, in all too many cases today, no longer serving as the moral anchor of a family), should it not be surprising to see a depreciation in fashion—especially amongst children? Presently, the body-hugging look, which passes for fashion amongst young girls, is simply atrocious, trashy, and sexually-charged. The same can be said about boys. Few people understand that the baggy-pant look, with such pants drooping below the buttocks, thus, revealing boxer shorts, is actually a "fashion" that originated in prison. When a prisoner wears pants in this drooping mode, he is advertising that he is a prostitute and is promoting his availability. Today, a child in not dressed as a beloved family member, yet, instead, is presented as a sex object. Indeed, if today's children's fashion is properly viewed as the "canary in the coal mine," then we have confirmation that the quality of parenting has depreciated in lockstep with the value of the dollar. Consequently, a sacred institution—the family—has been cheapened by inflation.

Few things are more personal than suicide. So if it seems unlikely that a person measures self-worth, using money as the yardstick, then please recall the high-profile suicides related to the 1929 stock market crash. To make the connection between central banking and the aforementioned stock market crash, a brilliant exposition was provided by Murray Rothbard in his masterful book *America's Great Depression*. Dr. Rothbard points out that the Federal Reserve aggressively inflated the money supply during the 1920s. However:

> The inflation of the 1920s was actually over by the end of 1928. The total money supply on December 31, 1928 was $73 billion. On June 29, 1929, it was $73.26 billion, a rise of only 0.7 percent per annum. Thus, the monetary inflation was virtually completed by the end of 1928. From that time onward, the money supply remained level, rising only negligibly. And therefore, from that time onward, a depression to adjust the economy was inevitable. Since few Americans were familiar with the "Austrian" theory of the trade cycle, few realized what was going to happen.
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> A great economy does not react instantaneously to change. Time, therefore, had to elapse before the end of the inflation could reveal the widespread malinvestments in the economy, before the capital goods industries showed themselves to be overextended, etc. The turning point occurred about July, and it was in July that the great depression began.
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> The stock market had been the most buoyant of all the markets—this in conformity with the theory that the boom generates particular overexpansion in the capital goods industries. For the stock market is the market in the prices of titles to capital. Riding on the wave of optimism generated by the boom and credit expansion, the stock market took several months after July to awaken to the realities of the downturn in business activity. But the awakening was inevitable, and in October the stock market crash made everyone realize that depression had truly arrived.

As certainly as central banking is capable of driving an economy into freefall, individuals can be driven to the ultimate breaking point by the catastrophe that is an economic depression. Thus, in many instances, financial ruin, suicide, and central banking can be directly linked.

Let's examine this matter a bit further. Historian William K. Klingaman conveys in his book, *1929: The Year of the Great Crash*, that—as related to the stock market crash— asphyxiation by gas was the most common method of committing suicide, yet there was considerable variety. He states:

> The wife of a Long Island broker shot herself in the heart; a utilities executive in Rochester, New York, shut himself in his bathroom and opened a wall jet of illuminating gas; a St. Louis broker swallowed poison; a Philadelphia financier shot himself in his athletic club; a divorcee in Allentown, Pennsylvania, closed the doors and windows of her home and turned on a gas oven. In Milwaukee, one gentleman who took his own life left a note that read, "My body should go to science, my soul to Andrew W. Mellon, and sympathy to my creditors."

While visiting New York, at the time of the great crash, Winston Churchill saw the broken body of a man who had jumped from a building and plunged fifteen stories to his death. Later, a notable suicide took place on Friday, November 8, 1929 when J.J. Riordan, president of the County Trust Company, took a pistol from a teller's cage at his bank, went to his home in downtown Manhattan, and shot himself.

An institution capable of hurtling an economy into depression most certainly can be directly connected to the heinous and most personal act of suicide. This is yet one more reason to properly deem the Federal Reserve as "hazardous to humankind."

Let there be no doubt that monetary mischief (i.e. inflation), as perpetrated by a central bank, does damage the human psyche. To be sure, the manipulation of money does transform a society's view of sex (for the worse) and has lead countless poor souls to financial devastation, and sometimes, tragically, suicide. To connect the dots between sex, suicide, and central banking is, in itself, narrow yet evocative. Nevertheless, are there not broader implications?

In *Before the Deluge,* Otto Friedrich quotes historian Alan Bullock as to the devastating impact inflation had on society in Weimar, Germany:

> It had the effect, which is the unique quality of economic catastrophe, of reaching down to and touching every single member of the community in a way which no political event can. The

> savings of the middle classes and the working classes were wiped out at a single blow with a ruthlessness which no revolution could ever equal…The result of the inflation was to undermine the foundations of German society in a way which neither the war, nor the revolution of November, 1918, nor the Treaty of Versailles had ever done. The real revolution in Germany was the inflation.

Sadly, the German hyperinflation laid the groundwork for the Nazis to eventually take power. Shortly thereafter, Germany lay in ruin.

History, clearly, has shown that money, a human construct in and of itself, has a powerful affect on the human mind. Hence, it logically follows that the central-bank induced depreciation of the dollar—a fiat currency—goes hand in hand with the social decay we see all around us. We must learn from the German experience. To help reverse this decivilization process, we must abolish the Federal Reserve and re-establish a 100% gold standard—in essence, a counterrevolution. And then perhaps, once again, we will walk amongst a people who live by the Golden Rule.



Editorial Archives

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